

Board Meeting
November 10, 2016

ROLL CALL

APPROVE FISCAL YEAR 2017 SERVICES AND MANAGEMENT AGREEMENT FOR THE UNIVERSITY OF ILLINOIS FOUNDATION

Action: Approve Renewal of Services and Management Agreement

Funding: State Appropriated Funds and Institutional Funds

The Vice President/Chief Financial Officer and Comptroller recommends the renewal of the services and management agreement with the University of Illinois Foundation (Foundation) for Fiscal Year 2017. Since 1982, the Board of Trustees has designated the Foundation as a University-related organization and authorized basic service agreements for certain services. The award of this agreement is in accordance with the procedures of the Illinois Procurement Code, and the *University Guidelines* of the Legislative Audit Commission.

The agreement requires the Foundation to provide fund-raising services and other assistance to attract private gift funds to support University programs. The Foundation agrees to accept and administer such gifts according to terms specified by the donor, to inform the University of all gifts received for the benefit of the University, and to apply the same in accord with the terms of the gift or, as in the case of all undesignated gifts, as the University may determine. The Foundation also will provide

management and supervisory services for the maintenance of donor records and alumni tracking on the Tracking and Engagement Database (TED) as part of the Foundation's Advance Illinois (AI) project. The Foundation assesses a management fee to the Foundation endowment pool as a means to support private gift fund-raising, administrative, and stewardship operations.

Contingent upon the University funding provided within the Fiscal Year 2017 State budget, the University will provide direct support for the Foundation at an estimated total amount of \$7,392,700 for Fiscal Year 2017. The support will be provided through payments to the Foundation during the course of the year based upon actual costs incurred and through funds allocated to the University Office of Development for the maintenance of donor records and other fund-raising support functions. This funding includes \$1,943,000 for the Foundation's Roadmap investment in support of increased development and fund-raising plans. Certain routine business and financial services will be provided to the Foundation as needed. Also provided is the employer cost of benefits for University employees working in the Office of Development.

The University will provide reimbursement during Fiscal Year 2017 to partially support the costs of the Foundation's services related to the Advance Illinois project. In the two previous fiscal years the University allocated a total of \$8,500,000 for reimbursement to the Foundation for the project (\$4,500,000 in Fiscal Year 2014 and \$4,000,000 in Fiscal Year 2015). The Foundation and the University have acknowledged that at the end of Fiscal Year 2016 there existed a residual balance of

\$1,146,687 from the previous years' allocation which may be carried forward and paid to the Foundation in Fiscal Year 2017 as reimbursement to partially support the Foundation's services related to the Advance Illinois project.

Institutional funds, generated from a management fee assessed to University gift accounts, and State appropriated funds are available to support this agreement for Fiscal Year 2017. The amount shown as the annual payment from the University for the Foundation is an estimate; the exact amount may vary depending on appropriations in the State budget and other financial and budgetary factors. The exact amount will be reported to the Board at its next meeting after June 30 of any given calendar year.

The Foundation shall provide regular budgetary, financial, and audit reports to the University and advise the University of key personnel transactions. The Foundation shall provide regular updates on the AI project and the Roadmap investment and report to the Board benchmark metrics within its peer group. The University shall be notified of any changes in administrative and investment management fees and changes in endowment spending formulas.

The Board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees' policies and directives.

The President of the University concurs.